

## **2013 Investment Climate Statement - Mauritius**

### **Openness to, and Restrictions upon, Foreign Investment**

Mauritius continues to be among the most competitive, stable, and successful economies in Africa, with a Gross Domestic Product (GDP) of \$11.5 billion and per capita income of over \$8,400 in 2012, one of the highest in Africa. Mauritius actively seeks foreign investment and prides itself on being open to foreign investment. According to the World Bank report “Investing Across Borders” (published in July 2010), Mauritius has one of the world’s most open economies to foreign ownership and one of the highest recipients of Foreign Direct Investment (FDI) per capita.

Of the 33 economic sectors looked at in the World Bank report, 32 are fully open to foreign investment in Mauritius. The only exception is television broadcasting, where foreign capital participation in a company must be less than 20%. However, the World Bank report draws attention to the difficulties of investing in certain sectors in Mauritius such as electricity generation and distribution as well as port and airport management, due to their monopolistic market structure and domination by a state-owned enterprise.

The World Economic Forum’s global competitiveness index for 2012-2013 ranked Mauritius 54<sup>th</sup> out of 144 countries and 2<sup>nd</sup> in Sub-Saharan Africa, after South Africa. “The country benefits from relatively strong and transparent public institutions, with clear property rights, strong judicial independence, and an efficient government,” states the report.

The 2012 Index of Economic Freedom, published annually by The Wall Street Journal and The Heritage Foundation, ranked Mauritius’s economy as the eighth in economic freedom in the world, ahead of the United States, U.K., Japan, Germany, and France. Mauritius is the first of the 48 countries of Sub-Saharan Africa to reach the top 10 in the annual rankings. The Index evaluates countries in four broad areas of economic freedom: rule of law, regulatory efficiency, limited government, and open markets.

**Economic Reform:** Mauritius’s economy suffered at the turn of the millennium as longstanding trade preferences in textiles and sugar -- the foundation of its growth strategy -- were phased out. In 2005, the government embarked on a bold economic reform program aimed at opening the economy, facilitating business, improving the investment climate, and mobilizing foreign direct investment and expertise. These reforms had considerable success in accelerating the rate of growth, reducing unemployment, and speeding up the pace of diversification of the economy through the development of new sectors. The reforms also helped to absorb the shocks of the 2008-2010 global economic recession and the Euro-zone crisis and set the stage for Mauritius to resume accelerated growth in 2010. Economic growth was 4.2 percent in 2010, up from 3 percent in 2009, and was forecast at 4.5 percent in 2011. However, the protracted global economic uncertainties and the deepening of the Euro-zone crisis, pose an increasing threat to the resilience of the Mauritian economy, particularly in key sectors such as tourism, textile, and the offshore financial sector, which depend heavily on the European markets. Accordingly, GDP growth in 2011 slowed down to 3.9 percent in 2011 and is estimated to have dropped further to

3.2 percent in 2012. Although the Government Statistical Office forecasts a slight improvement in GDP growth to 3.7 percent in 2013, economic growth for Mauritius in the short to medium term, is expected to remain subdued, principally due to the lingering aftershocks of the Euro-zone crisis.

FDI, which averaged USD 33 million annually for several years up to 2005, rose dramatically thereafter. Since the 2006 reforms, Mauritius has attracted close to USD 2 billion from foreign investors, including USD 443 million in 2010, USD 339 million in 2011, and USD 327 million in 2012.

**Business Facilitation:** For the fifth consecutive year, the World Bank's 2013 Doing Business report ranks Mauritius first among African economies (19th worldwide, out of 183 economies) in terms of overall ease of doing business. The government's objective is for Mauritius to rank among the top 15 most investment- and business-friendly locations in the world.

The GOM's policy since 2005 has been to open the economy and streamline administrative procedures for people to come, work, and live in Mauritius. The Business Facilitation Act of 2006 simplified the business licensing process with respect to starting a business and allowed businesses to start operations within three days of incorporation. Also, residence permits and work permits for foreign investors, entrepreneurs, and professionals have been combined into what is called an occupation permit, which is now processed within three working days.

Investment in Mauritius is governed by the Investment Promotion Act of 2000. Investment regulations are consistent with the WTO's Agreement on Trade Related Investment Measures (TRIMS). The GOM does not discriminate between local and foreign investment, except in television broadcasting, sugar production, and certain activities in the tourism sector. Businesses can be conducted locally in several forms: under a self-employed activity, as a partnership with Mauritian nationals, or a 100 percent foreign-owned company under the Companies Act. For a limited number of regulated activities in such sectors as tourism, sugar, and broadcasting, an application for the appropriate permit or license must be made to the competent authorities prior to start of operations. For such activities, investors should seek advice from the Board of Investment ([www.investmauritius.com](http://www.investmauritius.com)).

The Board of Investment (BOI) acts as a one-stop focal agency for business registration. BOI acts as the facilitator for all forms of investment in Mauritius and guides investors through the necessary processes for doing business in the country. Before starting operations, businesses must register with the Registrar of Companies. Regulations governing incorporation are contained in the Companies Act of 2001. After receipt of a certificate of incorporation from the Registrar of Companies, all companies must register their business activities with the BOI to be able to apply for occupation permit and other facilities offered to investors.

**Investment Opportunities:** Mauritius has realized a remarkable economic transformation from a mono-crop economy based on sugar production to a diversified economy driven by export-oriented manufacturing, tourism, and financial and business services sectors. In recent years, Information and Communication Technology (Business Process Outsourcing, call centers,

software development), Hospitality and Property Development (commercial malls, luxury villas, and international flagship hotels), the Seafood and Marine Industry (fish farming, tuna fishing and canning, and seafood processing) and the Biomedical Industry (medical devices, pharmaceutical products, multi-specialty hospitals) have emerged, attracting substantial investment from both local and foreign investors.

Mauritius offers excellent business opportunities in the following industry sectors:

- Healthcare and Life Sciences (manufacture of medical disposables, surgical instruments, orthopedic devices, electro-medical devices, and implantable devices)

- Information Technology and Business Process Outsourcing (voice and non-voice verticals; knowledge process outsourcing, multimedia and design)

- Renewable Energies and Environment (renewable energy through the use of wind turbines and solar power; manufacturing/assembly of renewable energy products; development of green and energy efficient buildings; solid waste management; water management)

- Knowledge Industries (education and training services in ICT/BPO, hospitality, financial services, healthcare, and property development)

- Seafood and Aquaculture (processing activities for high-graded products such as sashimi tuna; eco-friendly aquaculture)

- Agro-industries (processed fruit and vegetables; intensive dairy farming; food crop production: potato, corn, soybean; regional food security projects in Mozambique for rice cultivation and other food crops)

- Manufacturing and Light Engineering: high tech and precision engineering activities

- Hospitality and Property Development: hotel development, marinas, leisure/amusement parks, health tourism, green tourism, residential property, business/industrial parks, mixed use development

- Financial Services: banking; global (offshore) business; insurance; capital markets; other financial Services (e.g. brokerage houses, accountancy firms, tax and investment advisers, international law firms, leasing companies)

- Creative Industries: international art gallery; national symphonic orchestra; creative art schools; professional music recording studio; photography studio and image enhancement; integrated film studio facilities; design and fashion: jewelry, graphic design, products and packaging

- Logistics and Distribution Services: warehousing and storage; breaking bulk, sorting, grading, cleaning and mixing; labeling, packing, re-packing and repackaging; minor processing and light

assembly; storage, maintenance and repairs of empty containers; Ship building, repairs and maintenance of ships and aircrafts; quality control and inspection services.

-Transportation: Light Railway Transit system.

The location of Mauritius, situated in the Indian Ocean between Africa, Asia, and Australia, offers an attractive business base and proximity for both regional and international trade. U.S. companies can use Mauritius as a launching platform to tap regional markets through Mauritius' membership in the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), which offer preferential access to a market of 400 million consumers. Mauritius also has free trade agreements with Pakistan and Turkey. It is also in the process of finalizing a Comprehensive Economic Cooperation and Partnership Agreement with India.

Measure	Year	Index/Ranking
TI Corruption Index	2012	43
Heritage Economic Freedom	2012	8
World Bank Doing Business	2013	19
MCC Gov't Effectiveness		NA*
MCC Rule of Law		NA*
MCC Control of Corruption		NA*
MCC Fiscal Policy		NA*
MCC Trade Policy		NA*
MCC Regulatory Quality		NA*
MCC Business Start Up		NA*
MCC Land Rights Access		NA*
MCC Natural Resource Mgmt		NA*
MCC Access to Credit		NA*
MCC Inflation		NA*

\* - Mauritius is not eligible for MCC

### **Conversion and Transfer Policies**

The GOM abolished foreign exchange controls in 1994. Consequently, no approval is required for the repatriation of profits, dividends, and capital gains earned by a foreign investor in Mauritius. In general, businesses do not have difficulty obtaining foreign exchange.

The exchange rate is market-determined, but a small number of institutions dominate the market with the Central Bank occasionally intervening. There is convertibility on both capital and current accounts. Settlement can be done in foreign currency, and foreign currency accounts can be opened in Mauritius. There is no legal parallel market in Mauritius for investment remittances.

Mauritius has a well-developed and modern banking system. At the end of November 2012, gross official international reserves stood at USD 2.9 billion, representing an import cover of 5.2

months. During the 12 months ending November 2012, the Mauritian rupee has depreciated by 3.4 percent against the U.S. dollar and 2 percent against the pound sterling, but has appreciated by 4.5 percent against the Euro.

### **Expropriation and Compensation**

Property expropriation and compensation are unknown in Mauritius. A guarantee against nationalization is entrenched in the Constitution. The Government of Mauritius has never nationalized a business entity.

### **Dispute Settlement**

Emtel Ltd., a local firm in joint venture with Millicom International Cellular (majority U.S. investors), has been engaged in a lengthy dispute (since 2005) with Mauritius Telecom, its cellular subsidiary Cellplus (now called Orange), and the former Telecommunications Authority, over allegations of unfair competitive practices by Mauritius Telecom and Orange. The case remains in the courts. There has not been any expropriation of private assets in Mauritius thus far. Mauritius is a member of the International Center for the Settlement of Investment Disputes and the Multilateral Investment Guarantee Agency of the World Bank.

McDonald's opened a new outlet in early 2011, but although it had all the necessary permits, it could not sell beef products due to a court injunction issued following protests by neighboring International Society for Krishna Consciousness (ISKCON), a socio-religious organization. The matter is still unresolved, and the court injunction has not been lifted, although no allegations of wrong-doing against McDonalds have been made. Meanwhile, McDonald's management estimates it is losing 35% of its business at this outlet, due to the lack of sales of beef products.

The Mauritian legal system is largely based on English common law and French civil law. A Commercial Court was set up in early 2009 to expedite the settlement of commercial disputes. The domestic legal system is generally non-discriminatory and transparent. Members of the judiciary are independent of the legislature and the government. The highest court of appeal is the judicial committee of the Privy Council of England. Mauritius is a member of the International Court of Justice.

### **Performance Requirements/Incentives**

The investment code is in line with the WTO's Agreement on Trade Related Investment Measures. A foreign investor, a professional under a contract of employment, or a self-employed person may apply for an Occupation Permit. An Occupation Permit allows a non-national to reside and work in Mauritius. It is both a work and residence permit.

**Occupation Permit:** An investor, a professional or a self-employed person may be eligible for an occupation permit under the following conditions:

- Investor: the proposed business activity should generate an annual turnover exceeding MUR 4 million (approx. USD 133,000) with an initial investment of USD 100,000.

-Professional: the basic monthly salary should exceed MUR 45,000 (approx. USD 1,500). However, the basic salary for professionals in the Information and communication Technology Sector should exceed MUR 30,000 monthly (approx. USD 1,000).

-Self-Employed: the annual income from the proposed business activity should exceed MUR 600,000 (approx. USD 20,000) annually with an initial investment of USD 35,000.

Professionals earnings more than USD 3,000 per month and investors having made an investment of more than USD 100,000 can acquire immovable property (apartment in a ground plus 2 floors complex) as from date of issue of their Occupation Permit.

**Permanent Residence Permit:** An investor may subsequently apply for a Permanent Residence Permit if his/her business activity generates an annual turnover exceeding MUR 15 million (approx. USD 500,000) during the first three years. In the case of self-employed persons, the business activity should generate an annual income exceeding MUR 3 million (approx. USD 100,000). The Permanent Residence Permit (PRP) is valid for 10 years and PRP holders can acquire properties on their own name.

Non-citizens having invested a minimum of USD 500,000 in a qualifying business activity will obtain a Permanent Residence Permit with the right to acquire an apartment in a ground plus 2 floors development. The list of qualifying business activities includes: Agro-based industry, Banking, Construction, Education, Financial Services, Insurance, Fishing and marine resources, Freeport, Health care, Information technology, Infrastructure, Real Estate excluding the acquisition of a residential property, Leisure, Manufacturing, Marina development, Power Industry, Tourism and Warehousing.

**IRS/RES:** Moreover, the government has set up the Integrated Resorts Scheme (IRS) to attract high net worth non-citizens desiring to acquire an immovable property of not less than USD 500,000 in Mauritius (within a resort approved by the Board of Investment) for personal residence. The Real Estate Scheme (RES) introduced in 2007 allows non-citizens to acquire a residence with no minimum price set. The investor and his/her spouse and dependents are granted resident permits to live in Mauritius when a residential property is acquired for a price exceeding USD 500,000. More detailed information on the incentives is available on BOI's website: [www.investmauritius.com](http://www.investmauritius.com).

**Fiscal Incentives:** Investment incentives are applied uniformly to both domestic and foreign investors. Mauritius offers a low tax jurisdiction and a number of other fiscal incentives:

- a flat corporate and income tax rate of 15 percent,
- 100% foreign ownership,
- no minimum foreign capital required,
- tax free dividend
- no capital gains tax
- free repatriation of profits, dividends, and capital,
- accelerated depreciation on acquisition of plant, machinery and equipment,

- exemption from customs duty on equipment,
- direct cash incentives for employers recruiting and training young talents
- an extensive network of Double Taxation Avoidance Treaty. As at January 2013, Mauritius had such treaties with 39 countries.

### **Right to Private Ownership and Establishment**

Under the Non-Citizens (Property Restriction) Act, a non-citizen investor may acquire property in Mauritius with the prior approval of the Prime Minister. However, the Prime Minister's approval is not required when the property is acquired:

- under a lease agreement not exceeding 20 years,
- under the Integrated Resort Scheme or Real Estate Scheme for the purchase of a villa,
- under the Invest-Hotel Scheme for the acquisition of a hotel room, or
- when the investor has obtained approval from the Board of Investment to acquire property for use in his/her business.

### **Protection of Property Rights**

Property rights are respected. Mauritius maintains a sophisticated and impartial legal system based on both Napoleonic code and British common law. The system protects all tangible property. Intellectual property rights are protected by the Copyrights Act of 1997 and the Patents, Industrial Designs and Trade Marks Act of 2002, which are in line with international norms. Mauritius is a member of the World Intellectual Property Organization (WIPO) and party to the Paris and Bern conventions for the protection of industrial property and the Universal Copyright Convention.

The trademark and patent laws comply with the WTO's Trade Related Aspects of Industrial Property Rights (TRIPS) agreement and protect designs, brands, and technological inventions. Also, the law dictates that well-known international trademarks are protected, whether they are registered in Mauritius or not. A trademark is initially registered for 10 years and may be renewed for successive periods of 10 years. A patent is granted for 20 years and cannot be renewed.

The Police, Customs, and Judicial authorities have effectively enforced trademark and copyright protection for firms like Polo Ralph Lauren and legitimate distributors of Bollywood films that have established a legal or commercial presence in Mauritius. However, U.S. and European producers and distributors of cinema have in general not established any representation in Mauritius and protection of their copyrights is practically non-existent. According to a leading IPR law firm, the Police would take action against IPR infringements only in cases where the IPR owner has an official representative in Mauritius because the Court would require a representative to testify that the products seized are counterfeit. The Customs Department also requires right holders or authorized users to register their trademarks and copyrights with its office in order to seize suspicious goods at the ports of Mauritius. Application forms for

registration can be downloaded from the Mauritius Revenue Authority/Customs' website:  
<http://mra.gov.mu>

WIPO has prepared an Intellectual Property Development Plan for Mauritius, which recommends, inter alia, the revision of existing legislation to strengthen IPR laws and enforcement. The revised legislation has been drafted by the State Law Office and is expected to be brought to Parliament for approval in 2013.

## **Transparency of the Regulatory System**

Mauritius has built its success on a free market economy. During the past few years, the government has brought radical reforms to trade, investment, tariff, and income tax regulations to simplify the framework for doing business. Trade licenses and many other bureaucratic hurdles were abolished.

With a well-developed legal and commercial infrastructure and a long tradition of entrepreneurship and representative government, Mauritius is one of Africa's most successful democracies. Mauritius also has a long-standing tradition of government and private sector dialogue which allows the private sector to effectively voice its views on the development strategy of the country. The Joint Economic Council, the coordinating body of the Mauritian private sector, is a key vehicle in this regard.

Companies in Mauritius are regulated by the Companies Act of 2001, which incorporates international best practices and promotes accountability, openness, and fairness. In order to combat money laundering and terrorist financing, the government also enacted the Prevention of Corruption Act, the Prevention of Terrorism Act, and the Financial Intelligence and Anti-Money Laundering Act.

**Public Procurement Act 2006:** A Central Procurement Board, established under the Public Procurement Act 2006, oversees all forms of procurement by public bodies. The Procurement Policy Office is responsible for formulating policies and issuing directives for the operation of a transparent and efficient public procurement system. According to the Procurement Act, a bidder or potential bidder can challenge the procurement proceedings of a public body at any stage and request the Chief Executive Officer of the public body to consider his complaint and, where appropriate, take remedial action. Appeals may be brought against the decisions of a Chief Executive Officer to an Independent Review Panel. A simplified two-tier process, therefore, is available to unsatisfied persons to seek remedy.

**Competition Act 2007:** The Competition Commission of Mauritius (CCM) is a statutory body established in 2009 to enforce the Competition Act 2007. This Act established a competition regime in Mauritius, under which the CCM can investigate possible anticompetitive behavior by businesses. In its investigations, the CCM has considerable powers to compel businesses and others involved to provide information. If it decides that a business's conduct is anticompetitive, CCM has strong powers to intervene and correct the situation. Where businesses have been found to be deliberately agreeing to fix prices or share markets, the Commission can impose fines. Since it started operations, the Competition Commission has already undertaken 19



investigations, out of which 13 have been completed and six are still on-going. The results of the investigations are available on CCM's website at [www.cc.mu](http://www.cc.mu).

## **Efficient Capital Markets and Portfolio Investment**

With its well-developed financial services sector, Mauritius aims to become a regional financial center. The sector is well regulated and proves itself to be reliable, resilient, and highly profitable. It has ample liquidity to meet the financing needs of the economy.

The Stock Exchange of Mauritius (SEM) has performed well in terms of the volume of transactions, the number of listed companies, market capitalization, and the fairness and efficiency of its operations since its launch in 1989. In December 2012, the Stock Exchange of Mauritius had 41 companies listed on the Official Market and 47 companies on the Development and Enterprise Market, which is designed for small and medium enterprises. Market capitalization grew markedly from USD 92 million in 1989 to USD 5.7 billion in December 2012. The SEM is a member of the World Federation of Exchanges, which reports that the SEM adheres to industry business standards.

In November 2007, the SEM was included in the new Morgan Stanley Capital International (MSCI) Frontier Market Indices which are designed to track the performance of a range of equity markets that are now more accessible to global investors. Mauritius was among four countries in Africa to be included in the new indices. The SEM has also been included in the DOW Jones SAFE 100 Index which was launched in March 2009 by the South Asian Federation of Exchanges (SAFE). The DOW Jones SAFE 100 Index measures the performance of the 50 largest stocks trading in India and the 50 largest stocks trading in four other countries, including Mauritius. The SEM's daily data is also tracked live on Bloomberg since 2008.

The Mauritius stock market was opened to foreign investors following the lifting of the foreign exchange controls in 1994. No approval is required for the trading of shares by foreign investors unless the investment is for the purpose of legal and management control of a Mauritian company or for the holding of more than 15 percent in a sugar company. Incentives to foreign investors include free repatriation of revenue from the sale of shares and exemption from tax on dividends and capital gains.

The Global Board of Trade (GBOT), the first multi-asset derivatives exchange of its kind in Africa, started operating in Mauritius in October 2010. GBOT offers a basket of commodities and currency derivative products on its electronic exchange platform, including metals, energy, agricultural commodities, and currency futures.

Mauritius has an active global (offshore) business sector, which is a major route for foreign investments into the Asian sub-continent. Mauritius is the largest source of FDI and portfolio investment in India, estimated at USD 70 billion for the period April 2000-September 2012, which accounts for 38 percent of the total FDI inflows into India. Major U.S. corporations use the Mauritius offshore sector to channel their investment to India. These investments are mainly attracted by a particularly favorable Double Taxation Avoidance Treaty (DTAT) which exists

between Mauritius and India. As of December 2012, Mauritius had DTATs with a total of 42 countries, including China, Malaysia, Singapore, South Africa, U.K, France, Germany, Kuwait, U.A.E., Egypt and Nigeria.

Mauritius has a relatively sophisticated banking sector with 21 banks currently licensed to undertake banking business. The Banking Act of 2004 provides for banking business to be conducted under a single banking license regime. Accordingly, all banks are free to conduct business in all currencies, including the Mauritian rupee. There are also several non-bank financial institutions, which are authorized to conduct deposit-taking business as well as foreign exchange dealers.

The banking system is highly concentrated with two long-established domestic groups dominating, holding between them around 65 percent of all banking assets. Foreign banks present in Mauritius include the Hong Kong and Shanghai Banking Corporation (HSBC), Barclays Bank, Bank of Baroda, Habib Bank, Banque des Mascareignes, PT Bank International Indonesia, Deutsche Bank, Standard Bank, Standard Chartered Bank, and Investec Bank.

The banks focus mostly on trade financing and on provision of working capital. Accounts may be opened in all major currencies as well as the Mauritian rupee. Several commercial banks offer card-payment services, such as credit and debit cards and direct debits. Other facilities, including phone banking, home banking, and internet banking are also provided by some banks. Commercial banks offer spot and forward transactions in all major currencies.

Commercial banks have diversified into non-banking business through subsidiaries and affiliates. Banks are engaged in the provision of leasing, stock brokering, asset and fund management, investment and private banking business, insurance agency, and portfolio and custodial management. As of October 2012, commercial banks' total assets amounted to USD 30.8 billion.

The Bank of Mauritius, the Central Bank, carries out the supervision and regulation of banks as well as non-bank financial institutions authorized to accept deposits. An updated Bank of Mauritius Act, which strengthened the central bank's institutional framework as well as its supervisory powers, was enacted in October 2004. It also has the power to establish prudential safety and soundness standards and regulations, and does so primarily by issue of Guidelines/Guidance Notes. The Central Bank has endorsed the Core Principles for Effective Banking Supervision as set out by the Basel Committee on Banking Supervision. In July 2009, the Bank of Mauritius Act was amended to provide for the setting up of a Financial Stability Committee comprised of the Central Bank, the Financial Services Commission, and the Ministry of Finance to review, on a regular basis, the soundness of the financial system.

### **Competition from State-Owned Enterprises (SOEs)**

The government policy is to act as a facilitator to business, leaving production to the private sector. The government, however, still controls key utility services directly or through parastatal companies, including electricity, water, waste water, postal services, and television broadcasting. The government also controls the import of what it deems to be strategic products

such as rice (only non-basmati or other non-luxury rice), wheat flour, and petroleum products through the State Trading Corporation.

The government also has controlling shares in the State Bank of Mauritius, Air Mauritius (the national airline), and Mauritius Telecom. These state-controlled companies have a Board of Directors on which seats are allocated to senior government officials. The Chairperson is generally nominated by the government. They are required by law to publish an annual report and to submit their books to independent audit. They also are subject to the same corporate social responsibility rules as private firms.

### **Corporate Social Responsibility**

The Government of Mauritius has established a policy whereby all profitable firms are required to spend two percent of their chargeable income of the preceding year on Government-approved activities/programs which contribute to the social and environmental development of Mauritius.

Approved areas of activities include eradication of poverty, vocational training for vulnerable groups, promotion of human rights, support to the disabled and the elderly, women's empowerment, small enterprise development, support to vulnerable children and youth, rehabilitation of drug addicts, protection and preservation of the environment, health and nutrition, social housing, leisure and sports, and promotion of arts and crafts. All projects are reviewed by a National Corporate Social Responsibility Committee.

Major corporate groups in Mauritius, in partnership with non-governmental organizations, have implemented a number of projects related to social housing, health, education and training, leisure and sports, environmental protection, and sustainable development. There is greater awareness on the part of private companies for the need to be accountable to the community. Firms which undertake corporate social responsibility projects are viewed favorably.

### **Political Violence**

Mauritius has a long tradition of political and social stability and is internationally recognized for its well-established democracy. Civil unrest and political violence are uncommon. Inter-ethnic tensions, however, led to four days of rioting in February 1999, following the death in police custody of a popular minority singer. Governments since then have sought to calm ethnic tensions and stress national unity. Free and fair elections are held every five years with the last general elections held on May 5, 2010, which passed without incident.

### **Corruption**

Mauritius was placed 43<sup>rd</sup> out of 176 countries in the 2012 world ranking of corruption perception index published by Transparency International. With a score of 57, Mauritius was 3<sup>rd</sup> in Africa behind Botswana (65 points) and Cape Verde (60 points). Although Mauritius remains among the least corrupt countries in Africa, perceptions of probity levels in the country are

worsening, following the high profile arrests in the past couple of years on account of corruption allegations.

The 2012 Mo Ibrahim Index of African Governance ranked Mauritius 1<sup>st</sup> out of the 52 African countries. With 83 points out of 100, Mauritius topped the list of Africa's best-governed nations for the sixth consecutive year. The average score for the African continent is 51 points. The Ibrahim Index measures the delivery of public goods and services to citizens by government and non-state actors across 88 indicators of governance. Those governance indicators are grouped in four overall categories: Safety and Security, Participation and Human Rights, Sustainable Economic Opportunity, and Human Development. All the 52 African countries are then ranked according to their total scores across the categories.

In 2002, the government adopted the Prevention of Corruption Act, which led to the setting up of an Independent Commission Against Corruption (ICAC). ICAC has the power to investigate corruption and money laundering offenses and can also seize the proceeds of corruption and money laundering.

### **Bilateral Investment Agreements**

In September 2006, Mauritius and the United States signed a Trade and Investment Framework Agreement (TIFA), aimed at strengthening and expanding trade and investment ties between the two countries. The TIFA Council, comprising of representatives from both governments, held its first meeting in Mauritius in February 2007. The Council Meetings are held annually and usually alternate between Mauritius and Washington, D.C. Currently, Mauritius has an investment incentive agreement with the Overseas Private Investment Corporation (OPIC), and negotiations for a Bilateral Investment Treaty (BIT) between the United States and Mauritius appear to be in their final stages.

Mauritius has signed Investment Promotion and Protection Agreements with the following 37 countries: Barbados, Belgium/Luxemburg Economic Union, Benin, Botswana, Burundi, Cameroon, Chad, China, Comoros, Czech Republic, Finland, India, Indonesia, France, Germany, Ghana, Guinea, Madagascar, Mauritania, Mozambique, Nepal, Pakistan, Portugal, Republic of Korea, Romania, Rwanda, Senegal, Singapore, South Africa, Swaziland, Sweden, Switzerland, U.K., Zimbabwe, Tanzania, Kenya, and the Republic of Congo.

### **OPIC and Other Investment Insurance Programs**

Mauritius is eligible for the full range of OPIC's investment insurance programs. It is also a member of the World Bank's Multilateral Investment Guarantee Agency.

### **Labor**

In September 2012, Mauritius had a labor force estimated at 596,400, including 372,300 males and 224,100 females. Total employment stood at 549,300, including 24,000 foreign workers,

mainly from China, India, Madagascar, Sri Lanka, Bangladesh, and South Africa. Most of them are employed in textile factories but some are in construction, tuna canning, and the hotel and catering sectors. The unemployment rate, which was 7.9 percent in 2011, is estimated at 8 percent in 2012, representing about 47,000 unemployed.

The GOM administratively establishes minimum wages, which vary according to the sector of employment, through the National Remuneration Board (NRB), and it mandates minimum wage increases annually based on inflation. Although trade unions often negotiate wages higher than those set by the NRB, the NRB issues Remuneration Orders for more than 90 percent of the workforce in the private sector.

In February 2009, the Employment Rights Act and the Employment Relations Act came into force. The main objectives are to revise and consolidate the existing labor and industrial relations laws, which date back to over 30 years, and to liberalize the labor market and enhance the effectiveness of collective bargaining. The new legislation also provides for the introduction of a Workfare Program under which laid off workers will benefit from government financial assistance for up to twelve months and will have opportunities for training to increase their employability.

Wages are low by Western standards but high by most Asian and African standards. The basic wages of factory workers in export-oriented enterprises range between USD 200 and USD 300 per month. Middle managers earn between USD 700 and USD 1,000 per month. Fringe benefits, including transport and meal allowances, paid leave, and bonuses, represent an additional 25 to 30 percent of basic wages.

While Mauritius has an active trade union movement, labor-management relations are generally good. Unionized workers, which account for less than 25 percent of the workforce, act responsibly and rarely disrupt business. There has not been a major strike since 1979. Under current legislation, unions have the legal right to strike. The government seeks to preempt strikes through a system which promotes settlement through negotiation or arbitration by the Employment Relations Tribunal and the National Remuneration Board. A National Tripartite Forum, comprised of representatives of government, employers and labor unions, has also been set up to promote dialogue on issues of national interest, particularly those related to the world of work.

Workers' rights are protected under the Employment Rights Act 2008. Mauritius participates actively in the annual ILO conference in Geneva and adheres to ILO core conventions protecting workers' rights.

### **Foreign Trade Zones/Free Ports**

The Mauritius Freeport (free-trade zone) established in 1992 is a customs-free zone for goods destined for re-export. The government's objective is to promote the country as a regional warehousing, distribution, marketing, and logistics center for Eastern and Southern Africa and the Indian Ocean rim. Through its membership in the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Indian

Ocean Commission (IOC), Mauritius offers preferential access to a market of over 400 million consumers, representing an import potential of USD 100 billion. Companies operating in the Freeport are exempt of corporate tax.

Situated on 52 hectares of land adjacent to the port facilities and a modern container terminal, the Freeport offers 120,000 square meters of world-class infrastructure, including cold rooms, dry storage, an international trade exhibition center, processing units, and office space for transshipment, consolidation, storage, and processing activities. Freeport facilities are also available at the airport. Major shipping lines (i.e. Maersk/Sealand, P&O Nedlloyd, and MSC) increasingly use Port Louis as a regional container transshipment hub.

Activities carried out in the Freeport include warehousing and storage, breaking bulk, sorting, grading, cleaning and mixing, labeling, packing and re-packing, minor processing, transshipment, cash and carry sales, export-oriented port based activities, export-oriented airport based activities, freight forwarding, express courier services, mail order, simple assembly, reshipment, and quality control and inspection services.

By the end of 2012, 267 Freeport companies were active in operations such as re-export, transshipment, minor processing, and assembly. In 2011, the Freeport imported USD 294 million and re-exported USD 218 million worth of goods. Main products re-exported include seafood (25 percent), chemical and pharmaceutical products (20 percent), apparel and accessories (9 percent), machinery and transport equipment (7 percent), and beverages and tobacco (7 percent). In 2011, the principal export markets for the Freeport were Madagascar, Reunion Island, France, Spain, Seychelles, and South Africa.

The Freeport sources its imports from a wide range of countries, including Hungary, China, India, Finland, Taiwan, France, Spain, and South Africa. The main products imported include fish, chemicals and pharmaceuticals, machinery, transport and telecommunication equipment, textile fabrics and accessories, ready-made garments, electrical goods, beverages and tobacco, and general consumer goods.

The Freeport facilities for warehousing, breaking bulk, and re-export should be of particular interest to American companies. These services enable businesses to ship containerized goods to Mauritius, warehouse them in secure, low-cost facilities, then break bulk and re-export them in an efficient and timely manner to African and Indian Ocean rim destinations. The private facility developers provide modern computerized warehousing, including cold rooms and processing centers. These include Freeport Operations (Mauritius) Ltd ([www.freeport-operations.mu](http://www.freeport-operations.mu)), Mauritius Freeport Development Co. Ltd ([www.mfd.mu](http://www.mfd.mu)), and Froid Des Mascareignes ([www.iblgroup.com/en/mascareignes](http://www.iblgroup.com/en/mascareignes)).

Goods are assembled in the Freeport for export to the African and Indian Ocean markets. Current assembly and processing activities in the Freeport include jewelry and precious stones, PET plastic bottles, transformation of fish into fillets, aluminum frames and fittings, re-packaging of pharmaceuticals, and reconditioning of second-hand vehicles. The government is now seeking to promote more value added activities in the Freeport.

The GOM, in collaboration with the private sector, is actively promoting the Freeport as a seafood hub, in particular focusing on the transshipment, processing, storage, distribution, and re-exportation of high value-added seafood products using the modern port and Freeport facilities and logistics. The government set up a one-stop shop in the port area to help facilitate administrative clearances related to the seafood industry. Thon des Mascareignes Ltd. (TDM), a leading Mauritian company in partnership with Spanish investors, is operating a tuna loin processing plant with a daily processing capacity of 250 tons for export to Europe and the U.S. for final processing and packaging. U.S. firm Bumble Bee Foods has a tuna supply and processing agreement with TDM.

Airports of Mauritius Ltd., in collaboration with the Board of Investment, is planning to set up a dedicated air cargo logistics center at the airport. A master plan for the project has been prepared by Lufthansa Consulting and an invitation for Expression of Interest for consultancy services for the design of the infrastructural facilities was launched in November 2012. The main activities targeted include re-export of high value/low volume products, light assembly operations, warehousing, labeling and repackaging, sea-air/air-sea and transshipment cargo, express courier, and freight forwarding services

### Foreign Direct Investment Statistics

The following statistical tables, supplied by the Bank of Mauritius (Central Bank), show inflows of FDI in Mauritius by sector and country of origin (2009-2012).

#### Foreign Direct Investment by Sector, 2009-2012 (USD million)

	2009	2010	2011	2012*
Manufacturing	15.0	2.0	1.8	3.3
Tourism	57.0	26.5	19.6	12
Financial	42.0	147.0	55.8	15
Real Estate	132.0	109.0	155	123
Health	4.5	87.0	-	-
Other	20.0	73.3	87.8	49.3
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Total	270.5	442.8	320	202.6

Source: Bank of Mauritius

\* Figures for 2012 are for the period January-September only

#### Foreign Direct Investment by Country of Origin, 2009-2012 (USD million)

	2009	2010	2011	2012*
Dubai	11.7	10.7	12.5	3.7
France	71.8	50.7	111.5	58

Germany	0.8	0.1	0.34	-
Belgium	3.1	11.0	3.1	0.1
Luxembourg	2.0	8.1	1.7	-
Reunion Island	6.0	4.3	2.8	0.5
South Africa	15.7	46.6	73.5	70
Switzerland	13.8	18.7	1.7	2.2
U.K.	46.0	147.0	59.4	5.9
U.S.	21.0	4.2	7.8	4.9
South Asia	9.8	91.6	3.3	7.9
East Asia	20.8	20	6.9	42.2
Others	48.0	29.8	35.5	7.2
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Total	270.5	442.8	320	202.6

Source: Bank of Mauritius

\* Figures for 2012 are for the period January-September only

In 2011, total FDI inflows into Mauritius amounted to USD 320 million, the main source being France, South Africa, and U.K. Together these three countries represented 75 percent of total investments. The bulk of the FDI was directed to real estate, tourism and financial sector. The main sources of FDI from January to September 2012, which amounted to USD 202 million, are South Africa, France, and East Asia. Total FDI for 2012 is forecasted at USD 327 million.

**Current U.S. Investments in Mauritius:** Mauriden Ltd., owned by a U.S. citizen, was one of the first companies to operate in the Export Processing Zone more than 35 years ago. Initially involved in diamond cutting and polishing, Mauriden now focuses on the production of jewelry for its duty free shops (Adamas).

Laurelton Diamonds (Mauritius) Ltd, a subsidiary of Tiffany based in New York, started operations in 2008. Laurelton specializes in the cutting and polishing of diamonds which are exported to the United States for further transformation.

Apollo-Blake, a joint venture between American (20 percent) and South African (80 percent) investors, started operations in 2008 as a Business Process Outsourcing (BPO) company that focuses on customer relations services, working primarily with U.S. based customers.

Johnson & Johnson bought Perousse & Plastie Ltd, a French company based in Mauritius, in 2009. PP Sud Ltd, as the company is now called, specializes in the manufacture of silicone implants for cosmetic and reconstructive surgery.

MIC-USA Inc., a subsidiary of Millicom International Cellular, is a joint venture partner (50 percent shareholding) with local company Emtel Ltd in the provision of cellular phone service in Mauritius.

Ceridian (Mauritius) Ltd., a subsidiary of Ceridian Inc., specializes in software development and payroll and human resource solutions for European, U.S., and Canadian markets.



Microsoft and IBM have regional distribution offices in Mauritius, serving the Indian Ocean region, while HP Mauritius was officially launched in October 2011.

KFC, Pizza Hut, and McDonald's have been operating in Mauritius for a number of years, all through local franchisees.

Starwood Group currently manages three hotels in Mauritius, namely Le Meridien, The Grand Mauritian, and the St. Regis Mauritius Resort.

UPS and FedEx also have offices in Mauritius, while Harley-Davidson recently opened an outlet here.

Other U.S. investments in Mauritius include Covance Laboratories Ltd, a subsidiary of Covance Inc., which holds 47 percent of the share capital of Noveprim Ltd., a local company involved in the breeding of primates for export to U.S. and European medical research laboratories.

**Current Foreign Investments in Mauritius:** Several French, British, and Indian companies in joint ventures with Mauritian partners have invested in the ICT sector in Mauritius as a result of the government's determination at the beginning of the last decade to develop Mauritius into a cyber island. Leading global players, including Accenture, Orange Business Services (France), InfoSys (India), Hinduja (India), Huawei (China), TNT (U.K.), have started business process outsourcing activities, call centers, disaster recovery and business continuity centers, and software development.

Significant investment has been made by Indian companies in the past several years. Indian Oil Ltd. has built a 24,000 metric ton-fuel storage terminal as well as a testing laboratory. It also operates a number of retail distribution outlets in Mauritius.

Mahanagar Telephone Mauritius Ltd., an Indian telecom company, has been providing international long distance telephone service as well as fixed, mobile phone and wireless internet services for a number of years. Another Indian company, Bharat Telecom Ltd, holder of an Internet Service Provider (ISP) license, started its operations in October 2012.

Indian companies have also made substantial investment in the health sector. In 2007, Apollo Hospitals Group from India embarked on the construction of a high-tech 200-bed hospital in Mauritius, estimated at USD 30 million, in a joint venture with a local corporate group. The hospital is operational since July 2009. In December 2008, another Indian healthcare provider, Fortis Healthcare Ltd., invested approximately USD 2 million in the share capital of a well-known private local health clinic. Over the past two years, Fortis has added new services, including neonatal and dental care. In 2010 Dr Agarwal's Eye Hospital from India set up a super-specialty eye hospital while the Challenge Hair Group opened a state-of-the-art medical center in Trou-aux-Biches for hair grafting, plastic and cosmetic surgery, and dentistry. Also in 2010, Parenteral Drugs (India) Ltd acquired a majority stake in a local pharmaceutical manufacturing company.

Various Indian hotel groups, including Oberoi, Sagar, and Taj have also invested in high-end hotels and resorts in Mauritius. In March 2010, Indian firm Patel Engineering was awarded the contract for the development of a new township (Neotown) at Les Salines, near Port Louis. However, the project, which was officially launched in March 2010, has yet to start.

The Mauritius Jin Fei Economic and Trade Cooperation Zone is one of five economic zones that China is promoting in Africa. The aim is to encourage the Chinese business community to invest in Mauritius in order to tap the regional markets of the Common Market for Eastern and Southern Africa and the Southern African Development Community. However, the project which was to start in 2009, has never really taken off thus far.

South African companies, in joint venture with Mauritian firms, have invested in property development (shopping malls, luxury apartments), retail trade (supermarkets, restaurants), and IT-enabled services.

**Outward Investment:** In Mauritius, there are no restrictions on capital outflows. The bulk of direct outward investment over the past several years has gone to the tourism sector (hotel construction) in Maldives and Seychelles, the manufacturing sector (mainly apparel) in Madagascar, India and Bangladesh, and the banking sector in Seychelles, Madagascar, Reunion, Maldives, Mozambique, South Africa, and India.

The Government of Mauritius supports regional integration. Following an offer from the Government of Mozambique of some 23,500 hectares of land, the Government of Mauritius has set up the Regional Development Co. Ltd (RDC). Its main objective is the promotion of regional food security and the implementation of other regional development projects. RDC has also incorporated a subsidiary in Mozambique (RDC Moz.) which acts as the interface between potential investors and the Government of Mozambique. Since 2011, RDC has issued at least two requests for proposals from potential investors for agricultural activities, including rice production and processing as well as renewable energy projects.

The Mauritius Commercial Bank Ltd, the largest banking corporation in Mauritius, has established a strong presence in the Indian Ocean region with operations in Reunion, Madagascar, Seychelles, Mozambique, and the Maldives. They also have operations in France and a representative office in South Africa. The State Bank of Mauritius, another important local bank, has established banking operations in India and Madagascar, while in January 2012 AfrAsia Bank, which was established in 2007, purchased 35 percent of shares in a financial group in Zimbabwe.

Outward FDI in the garments industry emerged in 1990, when the low-end operations were relocated to lower-wage countries in the region. The African Growth and Opportunity Act (AGOA) also provided the impetus for several local textile companies to open factories in the region, mainly Madagascar and Mozambique. Ciel Textile Ltd, a leading Mauritian textile group, also has garment manufacturing operations in India and Bangladesh.

Other Mauritian investments on the African mainland relate to the use of expertise in the sugar industry to rehabilitate and manage sugar production in Mozambique, Tanzania, Ivory Coast,

Madagascar, and Uganda. Long-established conglomerates like the Rogers Group, IBL Group, the Currimjee Group, the Food and Allied Industries Group, the Altima Group, and the British American Investment Ltd. have established foreign subsidiaries in commerce, poultry, and financial non-banking services, principally in Madagascar and Kenya. Mauritius Telecom and Emtel, a subsidiary of the Currimjee group, have also invested in the telecommunications sector in Madagascar and Seychelles. In October 2011, Mauritius Telecom purchased 50 percent of the shareholding of Telecom Vanuatu Ltd, the telecom operator in Vanuatu. The State Informatics Limited operates a subsidiary company in Namibia and Botswana.

The following tables provide statistics on FDI outflows by country and sector of investment during the period 2009-2012.

Mauritius Direct Investment Abroad by Sector, 2009-2012\*

	2009	2010	2011	2012*
Agriculture	-	0.34	18.0	2.3
Tourism	22.0	31.8	14	19.5
Manufacturing	3.5	11.0	26.6	9.6
Real Estate	10.0	3.9	5.5	6.1
Financial	6.4	33.7	13	20.3
Health	-	43.6	-	-
Other	1.5	3.2	5.7	2.9
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Total	43.4	127.5	82.8	60.7

Source: Bank of Mauritius

\* Figures for 2012 are for the period January-September only

Direct Investment Abroad by Mauritius, 2009-2012 (USD million)

	2009	2010	2011	2012*
France	8.8	0.3	1.5	1.4
Switzerland	-	25.0	2	-
Reunion Island	2.6	3.4	2.3	0.4
U.S.	0.8	1.8	0.8	0.2
Madagascar	2.9	2.2	6.4	3.1
Maldives	9.9	1.2	-	-
South Africa	2.1	10.3	1.7	1.8
South Asia	0.4	32.6	21.4	6.5
East Asia	-	-	5.6	3.3
Seychelles	6.5	3.5	2.6	0.1
Mozambique	0.3	0.3	22.7	2.3
Others	9.1	46.9	15.8	41.6
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Total	43.4	127.5	82.8	60.7

Source: Bank of Mauritius

\* Figures for 2012 are for the period January-September only